

**Meeting Notes
Power O&M Cost Suballocation**

**January 17, 2002
Sacramento, CA**

Attendees:

Ara Azhderian, San Luis Water District
Tona Mederios, San Luis and Delta Meed WA
Lynn Hurley, SCV Water District
Steve Richardson, Western Area Power
George Senn, CVP Water Authority
Russell Knight, Western Area Power
Michael Bloom, Roseville
Kathryn Kitchell, Roseville
Tom Ruthford, Reclamation
Donna Daughety, Reclamation
Al Zepp, Northern California Power Agency

Ed Roman, SMUD
Frances Mizuno, San Luis and Delta Meed WA
Michael Hagman, TCCA
Jesus Reynosa, Reclamation
Ron Jacobsma, FWUA
Chase Hurley, Panoche Water District
Linda Bringle, Reclamation
Russ Freeman, Westlands Water District
Martin Bauer, Reclamation
Tasia Papajohn, Reclamation
Jerry Toenyes, Northern California Power Agency

Review of the Final Project

The group reviewed the purpose of this workgroup. The open cost allocation chart was reviewed with all the costs listed that are currently known. These costs will be allocated to the appropriate function.

Reminder of the Process

There was a short reminder of the interest-based process. We are still at educating one and another on interests. The focus needs to be identifying the problem “cost allocation” and working together to solve the problem, not protect positions.

The interest-based process that we are using consists of:

- Focusing on the interests, not positions
- Looking for hidden interests
- Considering the interests that are being protected when impasses occur.

Review Interests

We reviewed the initial list of interests from the last meeting to determine if they were interests that could be resolved in this workgroup. The following is the list of interests identified as areas this workgroup could influence.

1. Full Allocation of all Costs
2. Equitable allocation of costs among appropriate functions (equitable defined as fair sharing of burden and benefits – defensible to audits)
3. Administratively able to implement. Clear, equitable, accurate, acceptable accounting practices – “simple” accounting process and tracking
4. Consistent with Authorizations, Reclamation Law, then current policies, contract rights of water users, and Western Power Marketing Plan.
5. Maintain the cost-effectiveness of the CVP power resource.
6. Robust administrative procedures that will work for all operational activities with predictable outcome. (Robust – predictable results to variation in input)

7. Allocation procedure should have the ability to be modified through a collaborative process to respond to changes in the operating environment. (Reclamation needs to check on this interest)
8. Power O&M Cost Suballocation Procedures and intent should be memorialized.

There was some concern that there could be other interests that have not been thought of. Each workgroup member was tasked with forwarding this list and talking with their colleagues to ensure we have captured all interests. This appears to be a representative list, if other interests are brought in, the workgroup will make the decision as a whole if the interest should be included.

Review of Policies

Some of the current policies identified that could impact the allocation process are:

1. Reclamation's Water Ratesetting Policy
2. Reclamation's Repayment policy
3. Western's Ratesetting Policy
4. Reclamation's Project Use Policy
5. Authorities to allocate costs

Reclamation and Western will have copies of these policies for those interested at the next meeting.

Next Steps

Any new interests presented will be reviewed for inclusion. Next meeting will be a brainstorming session for solutions.

Documentation of the total process used in determining the cost allocation will be kept. When the process is approved by Reclamation management, there will be a policy statement issued and an agreement made between Western and Reclamation.

The workgroup asked for an update on the operational decisions being made. Western has a workgroup that is looking at the max-peaking concept.

Next Meeting

Next meeting scheduled for February 7, 2002, 9:30 a.m. to 3:30 p.m. – DWR Conference Room – CVO Office

Following meeting scheduled for March 14, 2002, 9:30 a.m. to 3:30 – DWR Conference Room – CVO Office.